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Debt Redemption

① Repudiation

refusal to pay interest and the principal amount.

Usually in emergency and war situations.

Govt loses creditworthiness.

② Refunding

old debt is paid through new debt.

Govt issues new bonds in place of old bonds.

Debt is postponed.

③ Conversion

where old debt is converted into new obligation.

There is a change in rate of interest structure.

- and an adjustment in maturity structure.

New loan is carried with low rate of interest.

④ Serial Bond Redemption

Different maturity periods and interest rates for different bonds.

So these bonds constantly provide an income stream to finance debt repayment.

⑤ Terminal Annuity (TA)

Govt. pays off debt on basis of TA. It pays in equal installments

Reduces burden of debt annually and at time of maturity it is fully paid offs

⑥ Sinking Fund

Govt creates a fund so that it can pay off the debt easily later on.

⑦ Capital Levy:

In times of war and emergencies, govt imposes a special tax on capitalists who are gaining wind-fall profits at that time. The revenue earned helps paying back the debt. It is also equitable in nature.

Method of Debt Repayment of External debt

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Export Surplus - without it external public debt cannot be repaid.

· We need more export surplus and import substitution.